

# STATE BANK DEPARTMENT

## Enabling Laws

Act 419 of 2005  
AR Code §23-46-101 et seq.

## History and Organization

The State Bank Department was created by the General Assembly in 1913. It has the responsibility to perform periodic examinations of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness and compliance with laws and regulations.

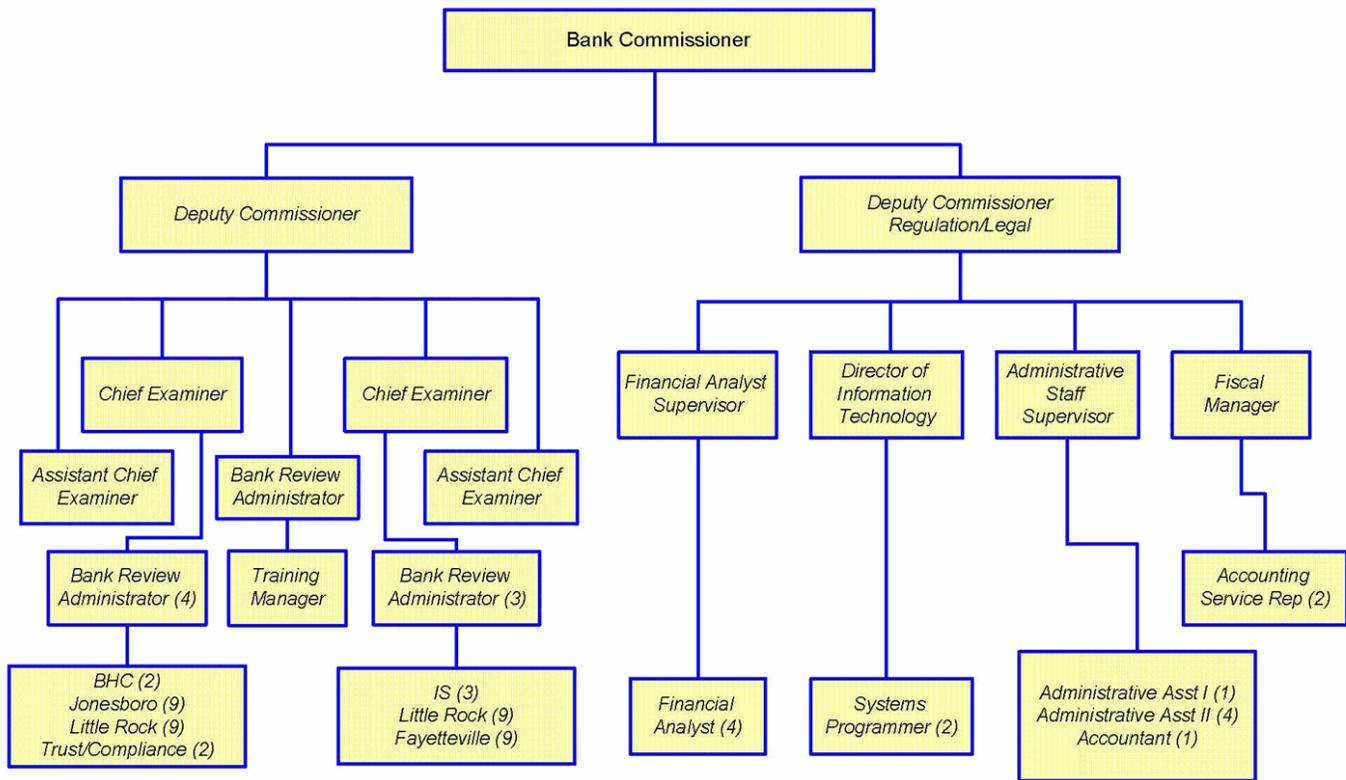
These examinations are accomplished by on-site evaluation of assets and liabilities, adequacy of internal routines and controls, the competency of management, the adequacy of capital of the institution, and other evaluations as performed by examiners.

The Bank Commissioner is charged with the responsibility of ensuring all state banks operate in compliance with state and federal laws. He also has responsibility for the approval of new branches, changes in ownership, and Plans of Exchange, whereby bank stock is exchanged for bank holding company stock.

In order to discharge the statutory responsibilities of the above, the Bank Commissioner and bank examiners periodically conduct investigations, hold hearings and perform all actions necessary to discharge their statutory responsibilities. Act 60 of 1933 created the Arkansas State Banking Board. The Board consists of six (6) members whose powers and duties include: Pass upon bank charter applications and charter amendments; pass upon proposed reorganizations, mergers and consolidations, conversions from National Charter to State Charter; hold hearings; propose regulations; and otherwise perform all actions necessary to discharge their statutory responsibility. The Commissioner and the State Banking Board have full authority to issue rules and regulations.

The Bank Commissioner, aided by the team of examiners, is required periodically to issue Cease and Desist Orders, Memorandums of Understanding, or obtain official Resolutions of Affirmative Action from banks when safety and soundness issues arise that warrant such action.

The Mission of the State Bank Department is to allocate available human and other resources existing in our Examination, Information Technology, and Administrative Services Divisions to ensure the continuance of safe and sound financial practices in state chartered financial institutions. We will maintain a legal and regulatory structure for Arkansas that provides the public with convenient, safe, and competitive banking, which allows for economic development within this State.



## Agency Commentary

The Arkansas State Bank Department has statutory responsibility for the examination and regulation of state chartered banks, bank holding companies, trust companies and other entities to determine safety and soundness, and compliance with laws and regulations. At fiscal year-end June 30, 2006, this included 117 state-chartered banks, 95 bank holding companies, one county industrial development corporation, five regional industrial development corporations, two trust companies, one capital development corporation and the Arkansas Capital Corporation. The Mission of the State Bank Department is to allocate available human and other resources existing in our Examination, Information Technology and Administrative Services Divisions to ensure the continuance of safe and sound financial practices in state chartered financial institutions. The Department will continue its policy of being an advocate of banking and seeking every means available to improve those financial institutions found to be in need of assistance. In order to execute these responsibilities and fulfill the mission and goals of the Department, certain budget requests are imperative.

The Department requests Capital Outlay appropriation to replace state vehicles according to the State's mileage and time of service policy, to purchase additional vehicles, if needed, and to replace fully depreciated Department equipment.

Increases are requested in Conference and Travel Expenses to cover increases in training and travel costs to maintain examiner certifications.

Other resources are requested for replacement of obsolete data processing equipment according to the Department's three-year replacement plan. This is the cornerstone of the Department's IT plan which has been filed with the Department of Information Systems per their instruction for the new biennium.

Approval of all requests will allow the Bank Department to continue to meet demands placed upon it by the financial industry and to continue to monitor the safety and soundness of all Arkansas state banking institutions under its jurisdiction. This will be accomplished by priorities set by the Department to regulate and supervise the changing banking environment.

Funding for the State Bank Department is provided by semi-annual assessments of all institutions under the supervisory authority of the Department.

## Audit Findings

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
STATE BANK DEPARTMENT  
FOR THE YEAR ENDED JUNE 30, 2005

Findings	Recommendations
None	None

## Employment Summary

	Male	Female	Total	%
White Employees	42	21	63	89 %
Black Employees	5	2	7	10 %
Other Racial Minorities	1	0	1	1 %
Total Minorities			8	11 %
Total Employees			71	100 %

## Publications

### A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Report of the Bank Commissioner	A.C.A. 23-46-210	Y	N	100	Required for the Governor by Statute. Copies provided to the State Library and requesting banks. Report is also available on the Agency's website.

**Agency Position Usage Report**

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Total	Total	Total	Total			Total				
77	72	5	77	0	6.49%	77	70	7	77	0	9.09%	77	71	6	77	0	7.79%

## **Analysis of Budget Request**

**Appropriation:** 051 - State Bank Department-Operations

**Funding Sources:** SIB - Bank Department Fund

The State Bank Department is funded entirely by special revenue fees assessed and collected on a semi-annual basis, as authorized in Arkansas Code §19-6-412. Base Level is \$7,970,982 for FY08 and \$7,971,318 for FY09, with 77 positions authorized and budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month. In addition to Base Level, the following changes are requested:

In Conference & Travel Expenses, the request is for additions of \$22,970 each year to cover increases in training and travel costs to maintain examiner certifications.

Capital Outlay of \$170,000 in FY08 and \$130,000 in FY09 is requested for replacement of vehicles and fully depreciated office equipment.

As enumerated in the Department's Information Technology Plan submitted to the Office of Information Technology, Capital Outlay is requested in amounts of \$80,000 for the first year and \$90,000 for the second year for replacement of data processing equipment.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 051 State Bank Department-Operations  
**Funding Sources:** SIB - Bank Department Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation			2008-2009		
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008 Base Level	2007-2008 Agency	2007-2008 Executive	2008-2009 Base Level	2008-2009 Agency	2008-2009 Executive
Regular Salaries 5010000	3,948,860	4,928,975	4,944,475	4,928,975	4,928,975	4,928,975	4,928,975	4,928,975	4,928,975
<b>#Positions</b>	<b>76</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>
Extra Help 5010001	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>#Extra Help</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Personal Services Matching 5010003	1,053,167	1,271,801	1,224,326	1,320,869	1,320,869	1,320,869	1,321,205	1,321,205	1,321,205
Operating Expenses 5020002	923,030	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108	1,269,108
Conference & Travel Expenses 5050009	264,114	277,030	277,030	277,030	300,000	300,000	277,030	300,000	300,000
Professional Fees 5060010	39,781	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	201,862	200,000	200,000	0	250,000	250,000	0	220,000	220,000
<b>Total</b>	<b>6,430,814</b>	<b>8,121,914</b>	<b>8,089,939</b>	<b>7,970,982</b>	<b>8,243,952</b>	<b>8,243,952</b>	<b>7,971,318</b>	<b>8,214,288</b>	<b>8,214,288</b>
<b>Funding Sources</b>									
Fund Balance 4000005	2,861,266	3,344,544		4,580,384	4,580,384	4,580,384	5,449,129	5,449,129	5,449,129
Special Revenue 4000030	6,914,092	9,357,754		8,839,727	9,112,697	9,112,697	8,839,657	9,082,627	9,082,627
Total Funding	9,775,358	12,702,298		13,420,111	13,693,081	13,693,081	14,288,786	14,531,756	14,531,756
Excess Appropriation/(Funding)	(3,344,544)	(4,580,384)		(5,449,129)	(5,449,129)	(5,449,129)	(6,317,468)	(6,317,468)	(6,317,468)
<b>Grand Total</b>	<b>6,430,814</b>	<b>8,121,914</b>		<b>7,970,982</b>	<b>8,243,952</b>	<b>8,243,952</b>	<b>7,971,318</b>	<b>8,214,288</b>	<b>8,214,288</b>

The FY07 Budgeted amount in Personal Services Matching exceeds the Authorized due to matching rate adjustments during the 2005-2007 Biennium.

Actual exceeds Authorized in Capital Outlay due to the inclusion of expenditures of M & R Proceeds in the amount of \$3,110.

## Change Level by Appropriation

**Appropriation:** 051-State Bank Department-Operations

**Funding Sources:** SIB - Bank Department Fund

### Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>7,970,982</b>	<b>77</b>	<b>7,970,982</b>	<b>100.0</b>	<b>7,971,318</b>	<b>77</b>	<b>7,971,318</b>	<b>100.0</b>
C01	Existing Program	192,970	0	8,163,952	102.4	152,970	0	8,124,288	101.9
C08	Technology	80,000	0	8,243,952	103.4	90,000	0	8,214,288	103.0

### Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>7,970,982</b>	<b>77</b>	<b>7,970,982</b>	<b>100.0</b>	<b>7,971,318</b>	<b>77</b>	<b>7,971,318</b>	<b>100.0</b>
C01	Existing Program	192,970	0	8,163,952	102.4	152,970	0	8,124,288	101.9
C08	Technology	80,000	0	8,243,952	103.4	90,000	0	8,214,288	103.0

### Justification

C01	The Department is requesting additions in Conference and Travel Expenses of \$22,970 each year to cover increased costs of training and travel expenses to maintain examiner certifications. Capital Outlay of \$170,000 for FY08 and \$130,000 for FY09 is requested for replacement of state vehicles and for replacement of fully depreciated office equipment.
C08	Capital Outlay of \$80,000 for FY08 and \$90,000 for FY09 is requested for replacement and upgrading of information technology equipment in accordance with the Department's Technology Plan submitted to the Office of Information Technology